DOCUMENT RESUME

ED 197 021 UD 021 123

TITLE Stimulating Joint Urban Ventures: Community Organizations and Organized Philanthropy: A Trust-Inc. Study on the Funding of Public-Private-Voluntary Partnerships for Comprehensive Community Development in Chicago.
INSTITUTION Trust, Inc., Chicago, Ill.
PUB DATE Sep 80
NOTE 57p.: For a related document see UD 021 023. Not available in paper copy due to institution's restriction.
AVAILABLE FROM Trust, Inc., 53 W. Jackson Blvd., Room 235, Chicago, Il 60604 ($6.00; $3.00 for nonprofit organizations).

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS Community Change; Community Development; *Philanthropic Foundations; *Private Financial Support; Public Support; *Urban Areas; Urban Environment; *Urban Improvement; Urban Problems
IDENTIFIERS *Illinois (Chicago)

ABSTRACT

This study focused on the role of constituency-based community organizations as a key element in revitalizing the neighborhoods of Chicago and on the need for strengthening their capacity in partnerships with the private sector and with the government. The study activities included discussions by a committee of 41 people from corporations, foundations, government, and community organizations; an open meeting; and a presentation before the Chicago Contributions Discussion Group. Part I of this report presents the nature, structure, and functions of community philanthropic organizations. Part II presents recommendations for actions to stimulate increased funding for these organizations and their activities. (MK)

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# Stimulating Joint Urban Ventures:

## Community Organizations and Organized Philanthropy

A TRUST, Inc. Study on the Funding of Public-Private-Voluntary Partnerships for Comprehensive Community Development in Chicago

September 1980

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UD021123

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This report, Stimulating Joint Urban Ventures: Community Organizations and Organized Philanthropy, is one in a Trust series which focuses attention on Chicago's neighborhoods and on the importance of constituency-based organizations and their efforts for comprehensive community development. Earlier studies produced Developing Jobs and Neighborhoods through Small Business Growth (August 1980), Urban Neighborhoods: An Action Report on the Impact of Tax Assessment and Tax Delinquency Policies (April 1978), Managing Chicago's Urban Dollar (1976), and the Neighborhood Agenda. Current TRUST projects include the examination of employment opportunities and neighborhood development and CETA programs.

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## EXECUTIVE SUMMARY

## STIMULATING JOINT URBAN VENTURES:

### Community Organizations and Organized Philanthropy

## PREFACE

One of the most serious problems facing our city is the inadequate flow of investment to the neighborhoods, which is closely related to many other economic and social problems. Partnerships among community groups, government, and the private sector have great potential for reversing this trend. Such partnerships can create the base for sustained economic development which can lead to long term reduction in individual and neighborhood dependency.

Community organizations make an essential contribution to these partnerships for preserving and revitalizing neighborhoods, yet they are largely outside the normal contributions flow from Chicago's funding sources.

In January 1980, TRUST, Inc. embarked on a study of the funding of public-private-and voluntary partnerships for comprehensive community development in Chicago. This project follows the objectives of TRUST's Neighborhood Agenda and is a further elaboration of the 1976 report Managing Chicago's Urban Dollar and other TRUST analyses of urban problems. The study was conducted by a representative committee of 41 persons from corporations, foundations, the United Way, community organizations, city-wide civic agencies, and government.

After five half-day conferences, the members of the committee agreed that philanthropy has a key role to play in neighborhood revitalization and that corporations, foundations, and the United Way should increase their support of constituency-based community organizations. The committee proposes a number of specific actions to stimulate such increased support.

## PART I: THE WORLDS OF PHILANTHROPY AND NEIGHBORHOODS

There is a growing general awareness of the importance of neighborhoods and of the work of constituency-based community organizations in self-help initiatives for community revitalization. At the same time, the philanthropic world is reassessing its priorities and reviewing its procedures. This is a propitious time in Chicago for a joint effort toward funding neighborhood initiatives for redevelopment.

A. Community Organizations in Chicago

Concept

The modern community organization is one formed by a group of people seeking to meet the needs of their own neighborhoods. It has a defined territory, a constituency which participates in goal setting and policy determination, and control by volunteer leadership.

Structure and Organization

Community organizations may take various forms: some are "umbrella organizations" with local groups as members; some have individual members; others combine both patterns. Decisions are made with the participation of the constituency through open meetings, annual congresses and volunteer board sessions. To be effective on a long term basis, a community organization needs an office and a staff. The typical established community organization in Chicago has five staff persons and a budget averaging $70,000.

Role in Stimulating Neighborhood Investment

Community organizations are working with merchants, landlords, industrialists, and government to develop projects for neighborhood-level development. In Chicago, a sampling of such projects includes housing rehabilitation, commercial strip revitalization, employment training, energy conservation, and solar greenhouses.

B. Relationships, Supports, and Technical Assistance

The success of a community organization is based on the support and participation of its constituency and on its effectiveness in external relationships. These external relationships with government, business, and funding sources depend in part on the "accountability" of the community organization: the ability to do what it proposes and report accurately afterwards.

While accountability can be improved by increased funding for management capacity - part of the general operating expense of community organizations - it also can be enhanced by the provision of specialized technical assistance. There are few agencies in Chicago that provide technical assistance appropirate to the needs of community organizations.

C. Patterns of Giving in Chicago

Consonant with national trends, funding sources in Chicago are expressing greater interest and increased support in neighborhood projects and community organizations. Such funding still falls far short of the needs.

An analysis of grants in Chicago shows that in 1978 only $ 1.16 million or 2.9% of total funding went to community organizations and projects.

The United Way in FY '80 gave grants to four community organizations, an amount representing approximately 0.5% of its total allocations.

With foundations, corporations, and the United Way all reassessing priorities, the TRUST, Inc. study has provided a timely opportunity for donors and recipients to develop a more productive working relationship.

D. Community Organizations and Partnerships

A significant aspect of neighborhood redevelopment is the emergence of partnerships among community organizations, government, and the private sector. Such partnerships promise better planning and long term development that can reduce individual dependency.

The private sector brings an essential ingredient, that of capital investment. Government brings physical infrastructure, legal sanction, technical assistance, and funding, as both grants and loans. The community organization brings neighborhood insights to the planning process and, when included as equal partners, can offer community sanction and support.

To be an equal partner, the community organization needs long term financial resources and management capacity as well as broad-based community support.

## PART II: ANALYSIS OF PROBLEMS AND RECOMMENDATIONS

The committee identified obstacles to greater funding for community organizations. Discussion of these obstacles led the committee to formulate a number of recommendations for both community organizations and donors. A central concern was the lack of information and deficiencies in communication affecting all parties.

A. Lack of Information/Definition/Objectives

Analysis

Lacking sufficient information, funders have difficulty in identifying and evaluating community organizations. In part this arises from the failure of community organizations to present a clear statement of objectives and to relate program activities to these objectives.

Recommendations

Community organizations should develop clear statements of their objectives, their constituency base, and their programs and should present this information through all possible means.

Funding sources should provide adequate staff who are informed about neighborhood issues, arrange site visits by staff and board members, and in general encourage access for community organizations.

B. Management Capacity/Accountability

Analysis

All funding sources look for management capacity and accountability, but these capabilities, encompassing competent staff and systematic record keeping, require financial resources. Such costs of running an organization are often neglected by both funders and community organizations.

Recommendations

The indirect costs involved in providing management capacity and accountability for a project should be specifically presented by community organizations and funded by donors. Technical assistance from intermediary organizations may be one way of improving these capabilities.

C. Funding

Analysis

Present funding practices pose severe problems for community organizations. Short term funding leads to cash flow problems and requires a constant search for new sources; project-specific funding may encourage projects that fit funding source guidelines rather than neighborhood priorities; inadequate funding means substandard salaries and limits the possibility of securing and retaining competent staff.

Representatives from community organizations often do not know enough about funding sources and the type of approach that would be best received and most effective.

Recommendations

Community organizations should improve their communication with funding sources and be aware of the desire of some funding sources to receive public recognition in the community for their support.

Funding sources should increase the philanthropic grants directed toward community organizations. They should offer multi-year grants with periodic review. They should support staff salary levels comparable to those of professionals with similar qualifications and responsibilities. A pool of funds for short term advances to cover cash flow problems should be created.

D. Grant Proposals and Processing

Analysis

Requirements and guidelines for proposal submission which may be appropriate for sophisticated city-wide organizations can be barriers to understaffed, volunteer-oriented community organizations. Proposals are often rejected after long delays and without adequate or any explanation.

Recommendations

Funding sources should provide clear guidelines, reasonable requirements, and assistance in preparation, when necessary, for their grants. When a proposal is rejected, a statement of reasons should be provided. If the project is considered worthwhile but the proposal inadequate, the funding source should respond with a statement concerning its deficiencies, suggestions for revision, and an invitation to resubmit.

Community organizations should provide a concise statement of goals, an explanation as to how proposed programs will advance these goals, and a clearly stated budget. There should be provision for evaluating the results. Full use of available information centers, such as the Donors Forum, will assist applicants in selecting the proper approach to sources.

E. Priorities

Analysis

The traditional criteria and established categories of philanthropic organizations often exclude the funding of community organizations and their activities.

Recommendations

A rethinking and reordering of funding priorities is needed.

In reconsidering criteria for allocation grants, funding sources should give prominence to self-help initiatives and capacity building of constituency-based community organizations. In placing higher priority on projects developed by people organizing in response to their own needs, funding sources might remember that the original intention of philanthropy was to preserve community involvement and encourage innovative, even unpopular, ideas.

F. Recommendations Concerning the United Way

Community organizations should apply for membership in the United Way.

The United Way should encourage and assist membership applications from community organizations; it also should seek ways of funding community organizations as nonmembers. The United Way should consider neighborhoods as geographical or territorial units and should review its allocations for various types of services as they relate to these territories.

## CONCLUSION: A CITY THAT REALLY WORKS

Strengthening community organizations will enable them to be more effective participants in partnerships for neighborhood development. Such partnerships can play a significant role in revitalizing neighborhoods and strengthening the city's economic and social fabric.

## PREFACE

Some of Chicago's most serious economic problems--unemployment, housing deterioration, and the flight of business--stem from the withdrawal of capital or the failure to attract investment in the city. The social consequences of this disinvestment are the multiplication of human problems which require remedial social services. These conditions are threatening the viability of Chicago as the hub of the region. More than 600,000 people or 1 in 5 Chicagoans are living in poverty. The fiscal consequences are a reduced tax base while expenditures are rising. Attempts to balance the budget by raising taxes only hasten the further withdrawal of business.

Since most of the city's housing, many of the jobs, and much of the tax base are located in the neighborhoods, it can be said that the economic, social, and fiscal problems facing Chicago are in large part attributable to insufficient investment in the neighborhoods. An adequate flow of capital to neighborhood projects could reverse this trend and contribute in a major way to the solution of these problems and to the revitalization of our city. Stimulating neighborhood development, therefore, is critical to the preservation of Chicago's economic and social fabric.

To accomplish neighborhood development, a partnership must be molded among community organizations, business, government, and others whose cooperation is necessary to improve the quality of life in our neighborhoods. This partnership is a joint effort to decrease individual dependency on the economic and social support systems while providing the bases for sustained economic development in an effective, long term manner. Each of the public-private-and voluntary sectors makes an essential contribution to this revitalization process.

The private sector makes decisions concerning the establishment and location of businesses and the distribution of private investment. Local government must provide the physical infrastructure, public services, and the support of city departments. Beyond this, government, through such vehicles as the Economic Development Commission and the Department of Planning and Community Development, makes allocation decisions regarding grants and loan funds. Federal and state as well as local governments are sources of technical assistance, planning services, and funding. Voluntary constituency-based organizations provide essential elements to the partnership. Since the residents themselves are involved, they are in the best position to identify, assess, and articulate neignborhood needs; and they offer community sanction and cooperation. They can provide the framework and support systems that contribute to the capacity of individuals to become self-sufficient members of society.

It is essential that partnerships for community revitalization be encouraged. To do this, community organizations must be strengthened so

as to enable them to be effective participants in the partnership. They must have broad-based community support and a stable financial base. In brief, flexibility, imagination, and financing are required in order to enable neighborhood residents through community organizations to articulate and assess their own needs and priorities and to formulate politics and long-range programs to effect change.

Although community organizations have a crucial role in preserving and revitalizing neighborhoods, they are largely outside the normal flow from Chicago's funding sources. In January 1980, TRUST, Inc. embarked on a study of comprehensive community development through partnership of the public-private-and voluntary sectors. The original idea was generated by leading individuals in the philanthropic community who are examining the effectiveness of the present allocation of resources and who view self-help, local initiatives with growing interest. At the same time funders have many questions concerning the goals and activities of neighborhood organizations and report confusion stemming from the wide array of such organizations. This project thus developed from the expressed interest in community organizations on the part of foundations, corporations, and the United Way. The study follows the objectives of TRUST's Neighborhood Agenda and the 1976 report Managing Chicago's Urban Dollar and is a further elaboration of other TRUST analyses of urban problems.

In keeping with TRUST's objective, non-partisan study process, a committee of forty one persons were selected from corporations, foundations, government, community organizations, and technical assistance agencies in proportions designed to achieve balanced representation. These individuals were invited for the experience and perspective they could bring to the process and for their commitment to improving the living and working environment in Chicago.

The study committee met during five morning sessions from March through August 1980. The principal objectives were to identify the obstacles, imagined and real, to the development of effective partnerships and to specify areas of agreement and differences. Mailings to more than 300 neighborhood organizations and an open community meeting provided additional input. A presentation before the Chicago Contributions Discussion Group added further insights.

The members of the study committee believe that organized philanthropy has a role to play in neighborhood revitalization and that corporations, foundations, and the United Way must become more active in supporting the work of community groups. This report includes a synthesis of the committee's analyses and specific recommendations on methods to strengthen funding support and partnerships for comprehensive community development in Chicago. TRUST and the members of the study committee are committed to insuring that these recommendations become a program for cooperative action.

## PART I. THE WORLDS OF PHILANTHROPY AND NEIGHBORHOODS

### INTRODUCTION

This study aims at establishing communication, understanding, and a practical working relationship between two disparate worlds: the world of those who recommend and decide on the allocation of philanthropic dollars and the world of neighborhood leaders and community organizers. Although on the surface the contrasts between these two worlds hardly could be sharper, they do share a fundamental principle central to the American tradition: the best way to meet human needs and solve social problems is through voluntary collaborative activities.

As they approach one another, both worlds are at critical points of transition. The philanthropic sector, facing a rapidly changing environment in which the problems of cities are coming to the fore and subject to increasing external criticism, is reexamining its priorities and practices. Neighborhoods are changing, too, as community organizations mature and enter into partnerships with government, business, and finance. In order to achieve the independent strength needed to be effective partners, community organizations are seeking financial support from foundations and corporations. At the same time, members of the philanthropic community are exploring support of local self-help initiatives as a new, creative way to accomplish the central purpose of philanthropy. Some foundations and corporations have begun to fund community organizations as a priority objective.

Philanthropy and neighborhoods meet at a time when familiar approaches to human problems are being challenged. There is a growing realization that urban problems will not be solved on the national level, that a new approach to urban human problems must rely to a high degree on the self-help capacity found in even the most distressed communities. Neighborhoods and community organizations based on neighborhood constituencies are essential to this new approach. As William Bonderant, Executive Director of the Mary Reynolds Babcock Foundation, advises "we must remember that most cities that have successfully dealt with inner-city problems have done so only through the commitment of local persons living in and about their own area." 1 /

Growing awareness of the significance of neighborhoods is manifested in the increase in both research and applied programs throughout the country. The New World Foundation of New York has undertaken a national project for increasing recognition and support of local self-help initiatives. Other studies and projects are in progress at the National Center for Urban Ethnic

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1 / William Bonderant, "The Role of Local Foundations in City Revitalization," Speech to the Council of Foundations Annual Meeting, Searle, Washington (June 1979); reprinted in Livability, (Winter 1980).

Affairs, the Center for Community Change, and the Federal Department of Neighborhoods, all in Washington, D.C. As an example of a national foundation stimulating the partnerships in urban ventures, the Ford Foundation is joining hands with private industry to create the Local Initiatives Support Corporation. This new national organization will support twenty pilot projects for community revitalization.

With this increased recognition of the importance of neighborhoods and community organizations, with a reassessment of priorities in the philanthropic world--the time is propitious for a joint effort toward funding neighborhood self-help initiatives in Chicago.

## A. COMMUNITY ORGANIZATIONS IN CHICAGO

### Concept

The existence of voluntary associations devoted to attending to human needs is one of the oldest characteristics of democracy in America. Urban community organizations are one of the more recent forms of such voluntary associations. During the sixties, encouraged by the 'maximum feasible participation' provisions of the war on poverty legislation, and initially funded by socially conscious churches, people in urban neighborhoods all over the country began to form what is now the modern, constituency-based community organization.

The essence of the modern urban community organization is a group of people seeking to improve the quality of life in their immediate area. Sometimes, and this is usually the case in early stages of organization, the purpose is to prevent something from happening which is regarded as damaging to the area and the community. On other occasions, the purpose may be to insure that something does happen in the community, such as the adequate provision of public services. Again, it may be to assess needs and set about seeing that these needs are met. Eventually, it may be to fashion an image of what the community might be and to take initiatives to bring about the desired future. The essential concept is that the territory and the people who live and work there are a distinct community with its own characteristics, its own set of needs and priorities, its own style--all of which must be taken into account in relation to anything that affects it. This local territorial base and constituency distinguish the neighborhood community organization from city-wide civic organizations or city-wide providers of social services.

The modern community organization is constituency-based and volunteer led. Through established structure, its goals, policies and programs are shaped by the participation of those who live and work in the area. According to an international study of leaders in India, Yugoslavia, Poland and the United States, the distinguishing characteristic of American community leaders is their commitment to popular participation. This commitment

"demonstrates the importance. . .[of] collective responsibility for self-management." 2 / While broad-based community organizations will include representatives from the financial and business sectors, the interests of the average resident will predominate. Although salaried staff is necessary, policy is set by volunteer officers and boards of directors from the local community. Through regular meetings with members of the community, this volunteer leadership and staff receive a mandate to undertake certain activities on behalf of the residents. This feature of community organizations--the direct accountability to the people being served--distinguishes them from agencies of helping professionals, settlement houses, or churches, where control often is exercised by people outside the neighborhood.

Many community organizations in Chicago point to the following definition as an accurate, succinct statement of just what they are and what they do. This definition was developed by United Way of Greater Milwaukee as a basis for its Neighborhood Development Funding Strategy when it reorganized its priority system and abolished permanent members three years ago. In its view a community organization is

> an organized group of persons who own property and/or reside within a geographically defined area, having as its purpose the revitalization of the physical, socio-economic conditions of the neighborhood. In addition to neighborhood resident leadership, the organization must maintain a broad participation of its defined area residents in decision making relative to goal selection, mobilization of resources, and execution of projects. 3 /

## Structure and Organization

Some community organizations are "umbrella organizations," i.e., a coalition of groups such as civic organizations or block clubs, churches, temples, PTAs or school councils. Some community organizations have direct individual membership while others are mixed in composition. Whatever the structure, current decisions are usually the responsibility of a board of directors and a corps of officers who are elected by the constituency. Annual or biennial assemblies, more open to direct resident participation, are held for broader input and longer range setting of goals.

To be effective beyond the earliest stages, a community organization

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2 / International Studies of Values in Politics, Values and the Active Community. A Cross-National Study of the Influence of Local Leadership. (New York, 1971), p. 62.

3 / United Way of Greater Milwuakee, Inc., Report of the Neighborhood Development Needs Assessment Panel (Milwaukee, Wisc.; March 14, 1980), p.4.

needs an office location and staff. An executive director, a secretary, and one or more organizers form the core of staff structure. Ideally, the role of this full-time salaried staff is to enable volunteer, part-time leadership to be effective in analysis of needs and goals, identification of issues, program development, implementation, and evaluation. The demands of the staff role are enormous encompassing the ability to organize and work with residents, to research and analyze issues, to present options for alternative strategies, to manage and monitor program implementation, and to write grant proposals and reports. The organizing function is crucial to developing and maintaining a broad-based constituency and clarity of issues. As the organization develops, additional skills in management, planning and record keeping are needed. As the full-time, centrally located cadre, the staff has singular importance in providing structure and continuity to the efforts of volunteer leaders. The balance between staff and this volunteer leadership is crucial to the well-being and efficacy of the community organization.

The importance of the staff role in an effective community organization can hardly be overemphasized, yet most of the people filling these demanding roles are astonishingly underpaid. Some are VISTA volunteers on a maintenance subsidy; many are CETA workers receiving close to the minimum wage. An informal survey indicates that staff members paid by community organizations receive salaries averaging between $10,000 and $12,000. Such salaries make it difficult for community organizations to recruit and retain the experienced staff they need to be effective.

## Range of Activities

When citizens form a constituency-based neighborhood organization, a broad range of issues and programs can emerge. The New World Foundation in a project "to explore the needs and opportunities for enhanced recognition and support of initiatives for community self-help" has identified 71 types of issues being addressed by such initiatives under the broad headings: Citizen Participation; Justice and Safety; Physical, Economic and Cultural Development; Education, Health Care, Municipal Services and Transportation; and Special Constituent Interests. 4 / Each community organization will select the particular neighborhood and the needs, interests, and priorities of its constituency.

There is obviously a great variety among neighborhood organizations since each adapts its structure, finance, and activities to the unique needs and circumstances of its community. One way of looking at the patterns of activities undertaken by community organizations is to classify them according to broad categories of function. The principal types are (a) health and service delivery, (b) issue organizing, (c) general planning, and (d) development. There are also multi-organization trade associations or technical assistance agencies.

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4 / The New World Foundation, Initiatives for Community Self-Help: Efforts to Increase Recognition and Support (New York, May 1980).

(a) Health and Social Service Delivery

Community organizations enter the field of service delivery when the constituency determines that a needed service is not being provided adequately or in a way that meets the particular concerns and priorities of the community. Programs responding to such needs may include alternative schools, adult education, drug abuse or alcohol treatment, mental health maintenance, health care, food provision, energy conservation, or special provisions for senior citizens. Such programs may be complementary, supplementary or even competitive with government programs or city-wide private agencies. In any case, they reflect the participation of neighborhood residents in identifying problems and in establishing procedures for corrective measures within a a local community context.

(b) Issue Organizing

Issue organizing is an essential function of any bona fide, constituency-based community organization, although it may seem an undesirable irritant to some who look out at the neighborhood scene from a city-wide perspective. The dynamic of a community organization is its focus on issues that engage the basic interests, passions, and anger of its constituency. Deeply involved in often highly emotional issues, the residents may appear to be overreacting. Many community groups feel that confrontational tactics are necessary at times to force powerful organizations to negotiate seriously with them. If the issue is one arising from the action or inaction of government, business, or institutions which are not responding to attempts at rational discussion, then the only method available to the organization may be confrontation with such groups through the media, in public hearings, or on the streets.

To those in government or the private sector who applaud neighborhood economic development or community-oriented service delivery but who question issue organizing and confrontation, two comments are pertinent. (1) Only community organizations that are strong advocates are able to deliver the support of their constituency for development projects. Issue organizing is an essential element in the functioning of a complete community organization. (2) Issue organizing turns into confrontation when powerful groups fail to negotiate seriously in good faith with community organizations. Unfortunately, the threat of confrontation is sometimes necessary before serious negotiation can be undertaken.

(c) General Planning

Planning is no less important for community organizations than for other types of enterprise, but it is often the most difficult component to include among its activities. In its necessity to respond to immediate neighborhood needs, a community organization is usually in the position of deploying limited resources in staff and volunteers to deal only with urgent current issues and day-to-day operations. The step back to view the big picture, the preparation of required research, the consultation of possible interests--all this seems too great a luxury given the constraints of short-term, limited funding and personnel.

Community organizations are forced into limited planning when they consider whether to initiate a new program or terminate one in progress. More serious planning is required for a housing rehabilitation project or commercial strip revitalization. An organization that undertakes development projects must have at least an outline plan for the physical aspects of the community. The most productive stage of planning occurs when the organizations seek to integrate physical and economic development with service delivery, crime prevention, cultural activities and other components of a healthy community life into a comprehensive plan for the area. This kind of planning is useful in weighing the effectiveness of each activity against the priorities of an overall, long-range plan. Unfortunately, it is also the most difficult to accomplish and the most costly.

(d) Economic Development

Community organizations have evolved from concentrating on immediate issues toward dealing with the underlying forces that can create but also resolve community problems. Economic development, therefore, has emerged only recently as a priority on the agenda of these organizations. Chicago now has many neighborhood and community organizations involved in or about to enter the field of economic development. Active either as initiators or participants in projects for economic, commercial or housing development, the community organization provides the essential ingredient of community sanction. This approval is granted on the basis of sufficient resident involvement in the conception and planning of such projects to assure their suitability to neighborhood conditions, local interests, and needs and conformity to the future hopes of the community.

It is important to understand that the constituency-based, community organization regards itself as distinct from a social service delivery agency. Although it is engaged in delivering services, the community organization views its role as aiding constituents to identify and articulate needs, while it sees a social service delivery agency as focusing on remedial help by professionals. The turf-conscious community organization, managed by and accountable to its own constituency, regards the typical social service delivery agency as a visiting presence, controlled and directed by people whose base is outside its territory. It sees the social service delivery agency as doing things for people, while its own task is helping people to do things for themselves. It believes that the social service delivery agency pursues a single purpose goal, which is not always related to other community programs.

## Role in Stimulating Neighborhood Investments

Through issue organizing and service delivery, community organizations provide the indispensable base for all forms of neighborhood revitalization. They can create a neighborhood environment supportive of reinvestment by organizing residents around their urgent concerns and mobilizing their energies behind programs designed to deal with these concerns.

A notable example of how the function of issue organizing can lead to economic development is the redlining issue. Community organizations

were among the first to identify redlining, which is the practice of ruling whole sections of a city as unsuitable areas for loans, even if the applicant is qualified. Neighborhood action, including confrontations with lending institutions, led to local legislation requiring disclosure of the geographical location of sources and destinations of loan funds. These disclosures revealed that a community's financial resources frequently were drained out of the area through the application of arbitrary criteria. These practices became a national issue and the focus of a campaign which eventually resulted in federal legislation.

Even though lending institutions complied with the new legislation by lending in their service areas, it became apparent that there was also a lack of neighborhood borrowers. Landlords, pressed by rising costs and taxes, were reluctant to invest in what they regarded as high risk, minimally profitable ventures. Developers were pursuing more simple and profitable projects on open land. In the interest of improving the quality of life in the neighborhoods, community organizations found themselves drawn into development and project planning. They began working with landlords, merchants, and industrialists to help them overcome obstacles to attracting investments in their communities. These organizations are utilizing federal, state, and local government programs for technical assistance, loans, and grants. Community participation is often a condition of eligibility for such programs. They assist merchants in promoting commercial strips, landlords in rehabilitating and managing their buildings, employers in finding workers, and residents in preparing for jobs.

In Chicago's neighborhoods there are many such initiatives in commercial strip revitalization, housing development, job creation, and job training. The Chicago Urban League identifies at least 50 organizations engaged in housing conservation and rehabilitation and 50 in commercial and industrial development. The following list of initiatives typifies the broad range of activities in economic development which are being undertaken by community organizations in Chicago.

*Tenant Referral - Several neighborhood organizations operate tenant-landlord referral systems. Cooperative landlords who have rehabilitated and are maintaining their buildings are listed with these services. Prospective tenants who apply are referred to them. This encourages landlords to invest by assuring suitable tenants for their buildings.

*Assistance to Landlords - A number of organizations are providing technical assistance to landlords in rehabilitation, building maintenance, and property management. One, for example, has a pioneer program in training resident managers. These projects show the feasibility of investment in rehabilitation and protection of investment through maintenance, resulting in economically viable rental housing.

*Tax Delinquent Properties - A planning and housing branch of one community organization assists residents in acquiring and rehabilitating tax delinquent properties.

*Low Cost Rehabilitation - Some community organizations are exploring low cost housing rehabilitation leading to conversion into modestly priced cooperatives or condominiums. This permits families who cannot afford to buy single family homes, especially under present market conditions, to acquire an equity stake and a direct interest in maintenance and future improvements.

*Cooperating with Banks - Several community organizations working with local banks have acquired and rehabilitated residential structures. In one area of the city, for example, three community groups and a lending institution have created a reinvestment incentive program. This enterprise provides a means for the private sector to leverage low-interest mortgages which are aimed primarily at low and moderate income residents of the area. Pre-purchase counseling is provided by one group while another has responsibility for rehabbing some of the buildings for resale.

*Housing Development Corporations - Several communities have established Housing Development Corporations to engage in a wide range of activities of the types mentioned above.

*Community Organization as Developer/Packager - In some cases, community organizations or local development corporations have acted as developer-packagers for major projects in the neighborhoods. They assemble the land, secure feasibility studies, engage architectural and engineering services, hire a contractor, and arrange for financing. In some recent developments, the community organization has been a general partner, sometimes with a developer-contractor or with a number of limited partners who are interested primarily in the tax advantages accruing from their participation.

*Employment Training - Some local development corporations are operated in conjunction with an employment training program. They acquire buildings at nominal costs and rehabilitate them for rental or resale to community residents.

*Commercial Revitalization - One development corporation links business people with community residents in a program to revitalize the commercial strip. With the city of Chicago providing public improvements along the street, this corporation packages loans, utilizing Small Business Administration below-market rate loans to create viable loan packages for area business and local banks. This experience has become a national model of the process of commercial strip revitalization. Other development corporations have become involved in renovating and reactivating abandoned neighborhood industrial sites.

*Urban Landscaping - Other community organizations undertake needed services which also provide jobs in the neighborhood. One such service is an urban landscaping project.

*Solar Greenhouse - In cooperation with a technical assistance agency, one community organization has built a solar greenhouse which creates employment opportunities, provides food to neighborhood residents at lower prices, and conserves energy.

*Urban Agriculture - Other community organizations are initiating various enterprises in urban agriculture, e.g., vacant lot cultivation, mushroom growing, fish farming--all serving multiple economic and social purposes.

*Weatherization - A number of organizations have established neighborhood weatherization programs incorporating skill acquisition for residents and encouraging local enterprises.

Expenditures by community-based organizations leverage government funds and private investment to a degree which is difficult to calculate. However, if the experience of one community organization in commercial revitalization is typical, we could use multipliers of 4 for government expenditures on physical improvements and of 50 for private investment. 5 / The city government is beginning to respond to neighborhood initiatives with supportive programs. The draft Year VI application for Community Development Block Grants includes a comprehensive program for business area improvements and several provisions that will assist housing developments.

## B. RELATIONSHIPS, SUPPORTS, AND TECHNICAL ASSISTANCE

An effective community organization must be dedicated to its own constituency, goals, and activities, but it must also be concerned about its relationship both to the community and to the world outside. The effectiveness of these relationships may determine the success of the organization in achieving the goals set for its territory and constituency. Because these relationships overlap to some extent, it is difficult to put them in neat categories, but most can be thought of as internal or external to the community.

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5 / In this case, the community organization spent $30,000 a year during a four year period which resulted in $450,000 in public improvements by the city and $5,000,000 in loans placed on the commercial strip.

## Internal Community Relationships

Every community has within it a variety of elements: people, organizations, institutions, and enterprises. Each has some kind of interest at stake: a physical presence, a financial interest, a labor supply, customers, clients, members, a specialized need, or a moral concern. Each also has something to contribute: care of its premises, jobs, purchasing power, credit, financial support, specialized skills, volunteer enthusiasm and energy, or external connection and influence. Different interests may clash and at times may obscure the overriding common interest in a healthy, viable community. If varying interests are not reconciled, the resources of the community may lie fallow or be dissipated in the competitive pursuit of partial interests. Self-help initiatives for neighborhood revitalization will be stronger if there is cooperation among the intrinsic resources of the community in support of the fundamental common interests.

Although the primary relationship of a constituency-based neighborhood organization naturally will be with concerned and active residents and their block clubs or improvement associations, the organizations must relate in some fashion to other important elements of the community and where possible work in cooperation with them. The way in which this relationship and coordination is handled will differ according to the circumstances in each community. Some community organizations attempt to incorporate the important elements within their own membership structure, thereby harmonizing potentially conflicting interests within its own committees and boards. An umbrella organization may play a mediating role between its own member organizations. In other communities, there may be groupings of interests into separate organizations which cooperate through negotiation. Whatever the circumstances, an effective community organization will be related in a constructive way with as many interests and resources of the community as it finds desirable or possible. Where cooperation is not possible, there should be at least communication and respectful understanding.

## External Community Relationships

Despite the concentration of community based organizations on their own territory, they must relate effectively to the world outside their own neighborhoods. Every such organization is in contact with city government concerning building codes, streets and sanitation, trees, traffic, police, and the delivery of city services. Community organizations also deal with city, state and federal agencies in connection with grants, loans, contracts, and technical assistance. They must work with institutions, banks, corporations, developers, and others whose influence impacts on their territory. They approach private funding sources for grant support for their activities.

In approaching this external environment, community organizations are entering an arena that is both different and removed from the everyday concerns of their constituencies. Learning the appropriate and most direct path through the various bureaucracies is difficult. The success of community organizations in relating to this external world depends primarily on their credibility as representatives of the constituency

and on a reputation for integrity and responsible behavior. It also will depend in part on the response of government, business, finance, and philanthropy and on the awareness of representatives of these realms of the significant role constituency-based organizations play in neighborhood revitalization.

In addition, the response of the external world to community organizations will depend on "accountability." Government officials, bankers, businessmen, and funding sources would like to be assured that community organizations are clear about what they are doing, have the capacity to do what they propose to do, are able to report accurately what they have done, and can evaluate the degree of success of their activities.

## Accountability and Technical Assistance

Although neighborhood based community organizations are well acquainted with strict accountability to their constituencies, accountability to the external environment is more difficult to achieve. Long range planning to clarify goals and to relate programs to objectives, administration of complex projects, adequate record keeping and meaningful evaluation are demands that often strain the capacities of the limited staff and overburdened volunteer leaders. Enhancing the capacity of community organizations to perform the function required for external accountability is essential for neighborhood based organizations to be viable participants in partnership efforts for neighborhood revitalization.

Improved accountability will be made possible by increasing the funds available to community organizations for general operating expenses and by incorporating all indirect costs into project grants. Increased funding will permit community organizations to recruit larger and more capable staffs with specific skills and to secure expertise in areas, such as law, architecture, and finance, which are too specialized to provide within the organization.

The need for staff training and specialized expertise is in effect the need for technical assistance. According to the most recent Chicago directory on this subject, CANDO II, technical assistance can be defined as

> nonfinancial aid to an individual or organization which has resolution of organizational-related problem(s) as its goal. The provision of technical assistance should be characterized by mutual problem identification, time-limited focus and specific goal setting. Technical assistance is divided into management support and program support. 6 /

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6 / Paul A. Lehman and Patricia Wyzbinski, CANDO II (Chicago: Donors Forum, 1980), p. 162.

Although the importance of such assistance to community organizations is becoming increasingly evident, for the most part it has been only informally provided by local businesses, banks, and institutions. There are currently more than 70 providers in the Chicago area that offer technical assistance in some 36 general categories, many of which correspond to the needs of community organizations. 7 /

Comments from both providers and users of technical assistance indicate that community organizations have made but minimal use of these services and that barriers to taking maximum advantage of technical assistance exist on both sides of the relationship. Providers report that community organizations are in many cases not ready to make the most effective use of the services available and are sometimes reluctant to work with outside providers. Community organizations have found few providers whose methods are appropriate to the unique characteristics of neighborhood based organizations. Moreover, funds for such technical assistance have been scarce.

One form of technical assistance that has proved effective is a mechanism for cooperation among community organizations for sharing information and experience and for joint negotiation with government agencies and others. There are two examples of such cooperation in Chicago: one group of some 40 community organizations works in the area of housing rehabilitation; another group of similar size brings together community organizations and local development corporations that concentrate on retail revitalization and economic development.

Several city-wide organizations provide encouragement, support, and some technical assistance to neighborhood based organizations. One exceedingly important set of functions of such groups is the study and proposal of public policy changes that would facilitate the work of neighborhood based organizations, the monitoring of administrative procedures, and the facilitation of communication and cooperative problem solving among community organizations and external interests and institutions.

Yet, while available technical assistance, sometimes at little or no cost, offers significant potential benefit to community organizations and while the support and encouragement of some city-wide organizations have been useful, there are problems inherent in these opportunities. Community organizations articulate the interests of their territories and are so firm in their insistence on independent representation of these interests that they are hesitant to forge relationships with intermediaries of any kind. They fear the blurring of their message should it be filtered through non-neighborhood based organizations; they resist the idea of middlemen acting as gatekeepers; and they shy away from the possibility of costly intermediate structures that would drain off some of the resources they need so badly.

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7 / Ibid., pp. 14-143.

A careful approach is required to the development of mechanisms to enhance the capacity and accountability of neighborhood based community organizations. The approach must include the recognition that such organizations in their own view are engaged in self-help initiatives and that assistance must be provided in a way consistent with this view. As a minimum, people from the community organizations themselves must be instrumental in devising the means for overcoming these problems.

## C. PATTERNS OF GIVING IN CHICAGO

Private voluntary charity has been a unique tradition in American history and has played an important role in public service, public planning, and social reform. As the modern foundation emerged at the beginning of this century, and more recently with the development of corporate gift-giving programs, the nature and concerns of philanthropy have been changing. Some members of the philanthropic community have reassessed their priorities and are developing new definitions of purpose. This objective-oriented giving contrasts with traditional philanthropy which was primarily directed toward the treating of the symptoms of social disorder through provision of services by helping professionals.

Particularly since World War II, the philanthropic sector has been subjected to increasing criticism. There are charges that as "public service corporations" foundations are no longer responsive to the needs of society and that they deviate from the original orientation of philanthropy, which was to preserve community involvement and encourage innovative, even unpopular, ideas. Critics argue that foundations are no longer in the forefront of experiment as when they were providing funding for "ideas to which the political public would have been either indifferent or hostile." 8 / These analysts suggest that a lack of vision has prevented more monies from going directly to issue-oriented groups of citizens and programs which effect social change and local community development. Instead, it is argued, philanthropic grants are directed primarily to delivery of services by institutions of higher education, private hospitals, and cultural facilities. In a sense it has become "harder and harder to identify the 'public' whose general welfare was supposed to be improved by the activities of the donors." 9 /

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8 / Barry D. Karl, "Philanthropy, Policy Planning and the Bureaucratization of the Democratic Ideal", Daedalus (Fall 1976), p. 139. Also, Division of the Social Sciences, "Philanthropy and Public Policy" in Reports, 3 (Autumn 1979), pp. 1-3: New York Times (April 15, 1980); The Donee Group, Private Philanthropy: Vital and Innovative? or Passive and Irrelevant? (Washington, D.C. 1975).

9 / Karl, "Philanthropy," pp. 146-47.

A picture of private philanthropy in Chicago indicates that some philanthropic sources are moving in the direction of community support and involvement, but on the whole such funding falls far short of needs. Studies by the Chicago Donors Forum of aggregate funding patterns during the past four years show little change from the established patterns of philanthropy that have been under criticism. In 1976, only 1.4 percent of philanthropic dollars went to neighborhood organizations. Of the $73.9 million given out by the 131 foundations in the Chicago metropolitan area with assets over $1 million, only $571,820 went to the 22 organizations under the category of Neighborhood and Community Development. These grants ranged from $100 (46th Ward Community Service) to $98,750 (Historic Pullman Foundation). One report suggests that "to prevent traditional giving from becoming simply routine giving, it is worthwhile to reconsider the long-standing rationales for foundations. The oldest rationale identifies voluntarism with democracy: in America, citizens join together to provide for the majority of their needs rather than relying on the state." 10 / What is needed, the report urges, is "a revised understanding of the uniquely private philanthropic role. . . By supporting groups at a very local level, such as neighborhood organizations, foundations can provide citizens with the leverage they need to resist the neglect and inertia of large bureaucracies." 11 /

A subsequent analysis of 1978 gift-giving patterns of 84 members of Chicago's Donors Forum showed that $1 million was dispersed through 211 grants to 60 neighborhood organizations. This amount represented 2.9 percent of the total $38 million allocations reported by these funders. 12 / The most recent survey, completed in May 1980 suggests slightly increased funding for community development. According to the self-designated categories by the 51 reporting corporations, approximately 5.1 percent of total grant monies were made for community development and another 1.9 percent for economic development. There is a disjunction, however, between perceived needs and the direction of grants. Neighborhood needs were ranked among the first priorities of corporate foundations and gift-giving programs. Actual grants, however, do not show increases nor are increments anticipated in this area. Additional funds are expected to go to traditional categories such as higher education and health care. 13 / Aggregate grants from corporations grew to a point where they surpassed independent foundation philanthropy in 1979, but most corporate programs did not increase their giving as

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10 / Steven S. Wheatley, Foundation Giving in Chicago 1976. A Study of Giving Patterns of 131 Large Illinois Foundations with $1 Million or More in Assets (Chicago: Donors Forum, October 1978), p. 27.

11 / Ibid., pp. 30-31.

12 / Donors Forum of Chicago, The Forum (Summer 1979).

13 / Kenneth Cmiel and Susan Levy, Corporate Giving in Chicago 1980. A Study of the Giving Programs in 51 Major Chicago Corporations. (Chicago: Donors Forum, May 1980), pp. 29-30.

much as the rate of inflation. 14 / The average corporate contribution is about 1 percent of pre-tax profits.

The direct contributions of foundations and corporations are only one part of organized philanthropy in Chicago. The largest single amount of funds is generated through the Crusade of Mercy campaign and allocated by the United Way of Metropolitan Chicago. At present, its $31 million in allocations represents more than 40 percent of total organized philanthropic funding in Chicago.

In spite of recent efforts of the United Way to broaden its outreach, only a small fraction of funds currently reaches constituency-based community organizations. The basic reason for minimal United Way support of such neighborhood organizations is clear. The United Way allocates funds to its members; most community organizations are not members.

In FY '80, only 4 of the 84 members of United Way could be classified as community organizations described in this report. These four received a total of $159,195 (0.5% of total United Way allocations). Only 3 of these organizations received allocations under the service category "Neighborhood Development and Organization" (D25), totaling $75,643 (0.24% of total D25 allocations). The remaining $83,552 was designated under other categories of social service. United Way does allocate substantial funds for "Neighborhood Development and Organization" - nearly $3,000,000 in FY '80 (9.4% of total allocations). Yet, the bulk of these funds goes to members whose primary activity is the delivery of other services. Direct support to community organizations for this purpose was limited to the 0.5% mentioned above, but some of the "Neighborhood Development and Organization" funds provide indirect support to smaller neighborhood groups. Some United Way members use a portion of these funds to assist in the development of smaller, emerging neighborhood based organizations by providing technical assistance, by lending staff members, and by serving as a channel for cash grants.

There is nothing in United Way policies or procedures which formally bars established community organizations from membership. Any such organization with a tax exempt status can apply for United Way membership and be a candidate for consistent annual support. Many established community organizations are fully qualified for membership in terms of management capacity, record keeping, accountability and evaluation. Indeed, in the United Way allocations systems, "Neighborhood Development and Organization" carries a high priority ranking. Yet, few community organizations have applied.

The failure of most community organizations to apply can be explained largely in terms of their perceptions of United Way. Looking at the history of United Way and its current membership list, neighborhood based community organizations see themselves as different, as not fitting, not belonging. Many find that questions on the United Way application are not directly germane to their activities and do not permit the description

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14 / Ibid., pp. 14-143.

of their unique strengths and contributions. They fear that the staff and board of United Way may not understand or be sympathetic to the kind of turf-oriented issue organizing which they regard as their basic mission.

Further, compared with most United Way members, neighborhood based community organizations are a comparatively recent development. Working with volunteer leadership and skeletal staff, they have problems in matching management capacity, record keeping, and accountability with the scale of activities their constituencies expect. They regard United Way conditions for membership as onerous, the application procedure as complicated and time consuming, and the requirements for record keeping and reporting as beyond their capacities. In addition, strict application of United Way's immunity list might mean the loss of some present sources of support. Consequently, most community organizations have not applied.

There are hopeful signs. On the national level, United Way is urging new approaches to funding neighborhood initiatives, and some cities have adopted new systems which include special funding attention to the needs of neighborhood organizations. The United Way of Metropolitan Chicago has recently been looking toward the broadening of its outreach to needs and problems not touched by the present allocations and priority systems. This broader approach has been reflected in the Special Grants and Incentives Program, the Coalitions Program, the New Development Program, and current consideration of some kind of a "Community Allocations System." Community organizations are showing more interest in relating to the United Way. With the assistance of the United Way staff, several are currently applying for regular membership, and a group of community organizations has initiated conversations with the United Way about increasing their access to United Way funding.

Greater understanding between the United Way and community organizations may be impeded by differing attitudes toward geography. The United Way system of allocations is designed to fund agencies and services without formal recognition of geographical distribution. Neighborhood based community organizations are intensely "turf-conscious"--concerned that the neighborhood constituents have a voice in anything that affects their territory and the people who live and work there.

The importance of the United Way in the pattern of organized philanthropy in Chicago and its role as leader and pace-setter make greater understanding and closer relations between United Way and community organizations essential to the strengthening of self-help capacity in Chicago's neighborhoods.

Any discussion of resources available to community organizations must include reference to the significant role of government. In recent years, government programs at all levels--federal, state, and local--have afforded staffing, technical assistance, loans and grants to those community groups in a position to take advantage of them.

Most Chicago community organizations, for example, have been able to meet some of their staff needs with CETA workers or VISTA volunteers who are paid with federal dollars. They also have been able to secure technical

assistance and funding for some of their projects in areas such as housing, commercial revitalization, health services, day care, and crime prevention. Some community organizations have developed significant job training projects by taking advantage of CETA programs. Under Mayor Byrne, the city of Chicago has taken several positive steps toward cooperating with neighborhood based community organizations.

The aggregate amount of government funding is so large that it seems to dwarf the contributions of private funding sources. The pool of funds in the Community Development Block Grant Program alone is about $130 million. Yet, only a fraction of the total government funding goes to projects associated with constituency-based community organizations, very little to self-help development projects, and barely a trickle to strengthening the capacity of the receiving groups.

In fact, the receipt of government funds is associated with so many problems and restrictions that only the strong, established community organizations can take advantage of them. Government grants or contracts entail so much bureaucratic procedure and such rigid accountability requirements that the costs to administer them often are a substantial burden on the recipient's general operating budget. Delay in receiving grants is one major problem. The funding is usually short-term and often restricted to "demonstration projects" with no provision for continuing successful demonstrations. There are even instances where the grant allowance does not cover expenses critical to the project's very success. Invariably, the receiving organization must depend on philanthropic dollars to cover some of its general expenses, and occasionally these are essential if the outcome of a government-funded project is not to be jeopardized. Hence, although the potential use of government resources is great and vital to the process of neighborhood revitalization, private philanthropic support is also indispensable as complementary or leverage funds in this process.

With corporations, foundations, the United Way and government engaged in reassessing their priorities and procedures and with neighborhood organizations emerging as key elements in partnerships for revitalizing Chicago's communities, the TRUST study has provided a timely opportunity for donors and recipients to stimulate the resolution of misunderstanding and differences and to lay the groundwork for more productive working relationships in the future.

## D. COMMUNITY ORGANIZATIONS AND PARTNERSHIPS

A significant result of the growing interest in neighborhood redevelopment is the emergence of partnerships among community organizations, government, and the private sector. Such partnerships promise better planning, more effective use of resources, and better attention to the human consequences of development. They also have potential for providing the basis for long term development that can reduce individual dependency on the economic and social support systems.

The private sector brings some of the most important elements to the partnerships: decisions about starting, locating, or expanding business enterprises or construction projects. Through the participation of financial institutions it also provides the essential ingredient--that of private capital investment.

Local government provides physical infrastructure and public services and must sanction project compliance with zoning laws, licenses, regulations, and guidelines. Federal and state agencies as well as local government are sources of technical assistance and funding. In Chicago, city government is responding to opportunities to use grant and loan funds combined with technical assistance to encourage economic development in the neighborhoods. The Economic Development Commission has a number of programs working to this end, notably a revolving loan fund and a program of public improvements related to keeping and expanding the number of jobs in the city. The Department of Planning and Community Development has developed a program of business area improvements which combines public improvements and technical and financial assistance to local development groups for the purpose of encouraging retail revitalization in a number of Chicago neighborhoods.

Community organizations also bring important contributions to partnerships for development. The participation of a local constituency in planning for a project through a neighborhood based community organization can result in better planning, lower costs, and a more sensitive response to the concerns of the community. Where development projects have not included community organizations as partners, such efforts frequently have been ill conceived and fraught with controversy and prolonged delays resulting in higher costs. The inclusion of community organizations in development partnerships is relatively new and presents difficulties for each of the partners. But each must learn how to make appropriate accommodations if such partnerships are to be viable.

Although each participant has something vital to contribute to a partnership, they are different and unequal in their strengths. The community organization, which is built upon resident and community support and the services of volunteers, needs to be strengthened in order to participate as an equal and competent member of the revitalization team. This requires stable financial resources as well as a broad-based constituency. Neighborhood based community organizations can become effective allies in partnerships for development if they are strengthened through increased financial support.

## PART II. ANALYSIS OF PROBLEMS AND RECOMMENDATIONS

### INTRODUCTION

This study began with a survey of members of the committee and others experienced in neighborhood issues. The aim was to identify the perceived obstacles to increased philanthropic funding of community organizations. The results of the canvas were consolidated into 28 items, and these were ranked by study participants as to their importance. Out of this ranking and the subsequent discussion have come the analyses in this part of the report.

A central concern was the lack of information and deficiencies in communication affecting all parties. Participants from every sector--funding sources, community organizations, intermediaries, and government--were in some respects unfamiliar with the nature of the other groups and with the possible means of relating to each other. Clarification is also needed concerning definitions and objectives as well as the improvement in procedures of the funding process.

Beyond these issues are some more fundamental questions. Is there behind the deficiencies in communication and procedures a question of underlying philosophy? Have the funding sources in setting their priorities not sufficiently taken into account the emergence of local, self-help initiatives as a significant way of responding to human needs? Do members of the philanthropic community now have an opportunity to help create a new approach to meeting these needs?

The members of the study committee believe that philanthropy does have a role to play in urban revitalization and that corporations, foundations and the United Way should be more vigorous in supporting constituency-based community organizations. Part I of this report sought to delineate the nature and programs of such neighborhood organizations. Both donors and recipients must participate in activities to improve the exchange of information and develop mutual understanding as a foundation for increased funding. The recommendations in Part II are intended to encourage and facilitate such cooperative interaction and support.

## A. LACK OF INFORMATION/DEFINITIONS/OBJECTIVES

### Analysis of Problem

From the beginning of the study it has been clear that a central obstacle to increased funding for community organizations is the lack of information on both sides.

In general, community organizations and their activities are not well known. Unlike universities, hospitals, the arts and other traditional recipients of philanthropy, neighborhood groups have no metropolitan or national lobbying organization to speak on behalf of volunteer self-help initiatives. They usually escape the attention of the media serving a metropolitan audience, and they do not have sophisticated development staffs to present their case to funding sources.

This lack of information is a handicap to funding sources, whose decisions often are made by people without direct familiarity with the problems and programs in the neighborhoods. While they might applaud and support capable citizen involvement and control on the local level, at the same time there is often suspicion of action-oriented groups. Funders may not fully appreciate the enormous problems and needs which have given rise to these organizations. Interaction between program officers of foundations and corporations is further limited by the fact that the volunteer neighborhood groups do much of their work in the evening after regular working hours.

Funders face what seems to be a bewildering array of organizations, institutions, and programs, all said to be representing the community. They often have difficulty in knowing how to distinguish among community organizations and to determine which are "legitimate" neighborhood and community groups. Also, it is not always apparent how the roles and functions of a particular organization differ from those of other groups in a neighborhood. Donors often feel that they have no means of determining whether the organization is representative of the community and serving general, rather than specific or personal, interests. Potential funders are also extremely sensitive to the question of duplication of efforts.

Community organizations contribute to these difficulties in some cases by failing to present a clear idea of their objectives, their constituency, how their activities contribute to accomplishing goals, and how their effectiveness can be evaluated. The paradox of this situation should be recognized because the less established groups, which are an important potential target of philanthropic support, need start up monies precisely in order to develop this fundamental framework. A further problem is the fact that, due to the heavy reliance on volunteers, community organizations often have difficulty devoting adequate time and resources to keeping informed of funding opportunities.

## Recommended Actions

A. For Community Organizations

1. Each community organization should develop a clear, logical statement of what it is and what it is doing.

   Such a statement should include a clear description of its territory, its constituency, its decision making process, its goals and the way in which programs relate to them, and how it differs from other organizations in the area. It is important to make clear the organization's mandate as received from the constituency through open community meetings, volunteer board sessions, special task forces and the annual congress. A concise statement of history and accomplishments should be included.

2. A community organization should give attention to communicating such statements and other information to its own community, to the general public, and to potential funding sources.

   Community organizations, individually and collectively, need to have a stronger, more focused public image. Linkages should be established with all publics served by the organization through such means as congresses, annual report, newsletters, press releases, open houses, and so on. Through similar means, accessibility to funding sources should be maintained, not only during periods of financial need.

B. For Funding Sources

1. Philanthropic programs should be adequately staffed by persons who are informed about neighborhoods and community organizations.

   Smaller philantrhopic programs which cannot add specific staff for this purpose should employ other means for securing this information. This may include independent consultants, university centers of urban affairs,or intermediary agencies familiar with neighborhoods and community organizations.

2. Site visits to neighborhoods and community organizations by both staff and board members of funding sources are essential.

   Such visits should allow sufficient time for touring the neighborhood, for meetings with organization staff and volunteer leaders, and discussion with those involved in or affected by proposed programs.

3. Funding sources should clearly state their fields of interest, their priorities, and their deadlines or decision dates and should communicate these to community organizations.

The joint publication of such information, at least by major funding sources, would be extremely helpful.

Communication would be further aided by increased accessibility of program officers to representatives of community organizations.

C. For the Media

Metropolitan and neighborhood newspapers, radio, and television should recognize the emergence of constituency-based community organizations and their activities as a news field of major significance.

## B. MANAGEMENT CAPACITY/ACCOUNTABILITY

### Analysis of Problem

All funding sources look for management capacity and accountability in organizations which apply for grants. Before providing funds, the donor wants to have reasonable assurance that the funds will be handled responsibly and applied effectively for the designated purpose.

Accountability also is an essential concern to community organizations. These organizations point to the fact that they are held accountable to their constituencies for program activities in ways that are more stringent and more public than the financial accountability required by funding sources. Community organizations agree that management capacity and financial accountability are essential, but they also note that management competence, systematic record keeping, and report writing require adequate staffing which costs money. Adequate staffing implies not only the number of staff needed but salary levels which make it possible for community organizations to secure and retain qualified and experienced people.

Every project administered by a community organization draws on all of its resources: space, utilities, supplies, office services, and supervision of its senior staff. In addition, the credibility of a community organization depends in a fundamental way on the maintenance of its relationship with its constituency. This in turn depends on a continuing attention to all community issues. The basic costs of running an organization and maintaining the base of constituency support and participation, tend to be neglected by both community organizations and funding sources, particularly as new programs are needed.

In reality, all these indirect costs related to a project or program must be covered by someone. Many grants from foundations, corporations, and government do not provide adequately for such indirect costs when underwriting a project and, in some cases, the use of grant funds for this purpose is expressedly excluded. The failure to calculate and include such indirect costs, either as a predetermined percentage for administrative overhead or as line items, is a major problem for management and capacity building in community organizations. Moreover, funding only those organizations which already have sophisticated management and record systems would threaten the funding of smaller community groups which also are based on grass roots constituencies.

An increased awareness of the significance of general operating expenses and indirect project costs is fundamental to strengthening the management capacity and financial accountability of community organizations.

## Recommended Actions

A. For Community Organizations

1. Community organizations should formulate clear, specific statements of all indirect costs and include them in grant requests.

   Such indirect costs can include the outlay for contracting for specific managerial or technical skills needed for a project, that part of basic operating costs which will be allocated to a project, or some part of general organizational programming.

   Indirect costs may be specified as line items in the project budget or as a predetermined overhead percentage to be added to the cost of the project.

2. Community organizations should take advantage of opportunities which are available at little or no cost for improving their managerial capacity and accountability.

   These opportunities include publications, workshops, seminars, and conferences.

B. For Funding Sources

1. Funding sources must recognize the costs to community organizations of assuring management capacity and accountability and be willing to make grants covering such costs.

   (a) Funding sources should be willing to make grants for the general operating costs of community organizations.

   (b) Grants for specific projects should include provision for all indirect costs.

   (c) Philanthropic organizations should consider providing complementary grants or enabling funds in order for a project to be undertaken when another funding agency, frequently governmental, will not cover the indirect costs.

2. Corporations, banks, accounting firms, consultants, and others with the capability should consider providing community organizations with services related to capacity-building and accountability on a pro bono basis.

   (a) Local businesses and institutions can provide services and supplies to community organizations which reduce the cash outlay for general operations. These could include donations of surplus equipment and supplies, printing, publicity and promotional services, technical advice,

use of facilities, fund raising ideas, bulk mailings, training sessions on basic management concepts, and loan of executives/board members.

(b) Funding sources could help community organizations establish a system of accountability for the funds granted. Bookkeeping procedures,outlines for progress reports, and reporting dates could be determined jointly. The system established should not create undue burdens for community organizations.

C. Cooperative Efforts

Community leaders, government officials, and funding sources should work together to determine appropriate indirect costs.

1. They could suggest the percentages of the operating expenses which are incurred, according to the nature and budget structures of community organizations.

2. Foundations and government agencies then might be encouraged to accept this predetermined rate within the budget of a project proposal.

## C. FUNDING

### Analysis of Problem

The total funding needs of Chicago's community organizations are small in comparison to the aggregate grants made in the city. It is estimated that 71 established community organizations listed in the directory compiled by the Community Renewal Society (excluding the largest and least typical of these organizations) have a median budget of about $70,000. Their total expenses would be approximately $5,000,000. Another $1,000,000 would cover minimum budgets of $20,000 for 50 emerging community organizations. The total of $6,000,000 is only about 8% of the total contributions by organized philanthropy in Chicago. 15 / This is a modest amount when compared with the multifold activities undertaken by community organizations. These activities can generate projects which in turn will leverage vast amounts of public funds and private investments for the community.

The large return from minimal funding of community organizations is due to the fact the programs depend heavily on volunteer leaders and underpaid, overworked staff. They deal with urgent issues affecting the daily lives of community residents; they must work with frustrated people and unresponsive officials; they prepare and conduct countless meetings. The demands upon them are so critical and the sense of dedication required so strong that the commitment of leadership ebbs necessarily as the worker becomes burnt-out from the intensity of activity. Just as important, family and financial responsibilities often force the leadership to seek more stable, secure positions with appropriate salaries and benefits.

Community organizations often have difficulty in securing and maintaining competent staff because of inadequate funding and cash flow problems. Insufficient funding usually means inappropriate salaries and absence of even minimal benefits. Salaries of full time organizers average between $7,000 and $10,000. An exeuctive director now typically receives between $12,000 and $14,000. Although salaries are low, there is still not enough money to hire a sufficient number of staff to avoid a 70-80 hour work-week. Increased funding would permit these organizations to secure the staff required for the work and to retain them after experience has made them most effective.

The general problem of limited funding is compounded by the short term nature of most grants. Many funding sources require a new project for each new grant proposal. They seem to prefer applicants who have developed a track record, but it is difficult to achieve this, to accomplish larger projects without guaranteed funding over a longer period of time.

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15 / The 1979-80 Directory of Community Organizations compiled by the Community Renewal Society lists 71 constituency-based community organizations. Of these, 65 indicated the number of staff, and the median of these was 5. Based on an informal survey, we estimate a typical budget of $50,000 for salaries and $20,000 of indirect costs, totaling $70,000.

In approaching corporation and foundation executives for funding, representatives of community organizations are entering an unfamiliar arena. They often do not know much about the funding source, the motives for its establishment, the bases for its decisions or the interests or preferences of those who administer the program. They may be uncertain about what is expected of them in terms of what may appear to be superficial formalities, such as neatly typed letters, prompt acknowledgement of the receipt of checks, progress reports, informal contacts by telephone, or appropriate expressions of appreciation. In fact, in the view of the funding source, these "formalities" may be taken as indicators of the competence and capacity of the applicant organization.

## Recommended Actions

### A. For Community Organizations

1. Community organizations should improve their information about and communication with funding sources.

   Community organizations should make use of the Donors Forum and contacts with individual funding sources to learn about the motives, priorities, interests, preferences, and procedures of the sources they may wish to approach. Communication should not be limited to requests for grants but should include introductory letters, acknowledgment of grant payments, progress reports, invitations to visit, etc.

2. Community organizations should be aware that some funding sources like to receive credit in the community for grants they make. Where this is so, arrangements should be made for appropriate recognition.

### B. For Funding Sources

1. Funding sources should substantially increase the aggregate funding for community organizations.

   Funding should cover general operating costs and all indirect costs. In addition, funders should assist in enabling community organization staffs to earn salaries which are comparable with those earned by other professionals with similar responsibilities. The average salary of an executive director should be upwards of $18,000. Such salaries would make it possible to attract experienced staff who could afford to make a long-term commitment to the organization.

2. Funding sources should move toward multi-year grants with periodic review.

   Longer term funding would promote continuity, improve planning, and strengthen staff leadership.

3. Funding sources should be willing to pick up funding for an on-going program, even though it may have been funded by another source.

   Such complementary funding will encourage continuity of programming in case one funding source should have to discontinue its grants.

4. A pool of financial resources should be created which could provide interest-free, short-term loans to community organizations so that they might avoid cash flow problems while waiting for promised funding.

   Funding sources might also consider paying the interest on conventional loans for the same purpose.

C. Cooperative Effort

Community leaders, funding sources, and government representatives should develop some creative solutions to the cash flow problem.

## D. GRANT PROPOSALS AND PROCESSING

### Analysis of Problem

Funding sources report that community organizations often submit inadequate proposals with vague goals, a sketchy description of the program, incomplete indications of how money would be spent, innappropriate or unreasonable budget items, or an absence of provision for evaluation. Other problems include submission of a project to an inappropriate source and the failure to comply with the proposal guidelines or deadlines.

Leaders of community organizations argue that the requirements and procedures of funding sources may be appropriate for well staffed, city-wide agencies, but are overly burdensome and discriminate against the smaller neighborhood organizations. The heavy dependence on volunteers and the urgent demands of on-going program activities often preclude intensive research into funding sources and careful proposal preparation. In some cases the fields of interest and priorities of funders are not clearly specified, which can result in misdirected applications and arbitrary rejections. Even when the proposal is within the donor's area of interests, it is often rejected without explanation. A long delay or failure to respond to a proposal request can create severe problems for the community organization which has applied for funds.

Paradoxically, the effectiveness of community organizations in applying for funds can be improved by the strengthening of capacity through increased funding,as recommended in Section C: Funding. There are procedural improvements to be made both by funding sources and by applicants that can facilitate the process.

### Recommended Actions

A. For Community Organizations

1. Community organizations should make better use of existing resources to improve identification of potential funding sources and to improve proposal preparation.

   These resources include the Donors Forum, Center for Urban Economic Development, United Way and the Illinois Arts Council.

2. Each community organization should take care to prepare a clear, concise proposal adapted to the guidelines of the funding source.

   The proposal should be concise, fully informative, and realistic. It should include a statement of goals and how they will be accomplished. The proposed budget should be clearly presented. If appropriate, the particular purpose for which the proposal is being submitted should be placed within a larger context of long-range objectives.

B. For Funding Sources

1. Funding sources should establish a simple procedure for submission of initial proposals by community organizations.

2. Funding sources should respond promptly to all applications.

3. In declining to fund a project, the funder should provide some reasons for the negative decision.

4. If a funding source considers a proposed project worthwhile but the proposal inadequate, the program officer should respond with a statement concerning its deficiencies, suggestions for revision, and an invitation to resubmit.

## E. PRIORITIES

### Analysis of Problem

In approaching foundations and corporations for increased funding, community organizations discover that most of the funds are locked into established categories with traditional criteria. Some foundations have priority areas which are predetermined by donors; corporations must justify their contributions to boards, stockholders, employees, etc. Both find it easier to justify contributions to familiar causes, such as education, health care, research, cultural institutions, and social services, than to the less familiar, sometimes controversial, programs of neighborhood-based community organizations.

A variety of observers of the urban scene are pointing to constituency-based organizations as vehicles for a new approach to dealing with human problems. They claim that, against a background of concern about the effectiveness of current programs, the threatened shortage of all resources, and fears that expanding social services will perpetuate dependency, the self-help capacities of local communities should be encouraged. Community organizations are the means for mobilizing the energies of people to work on their own problems in their own neighborhoods.

There are a multitude of community organizations which are engaged in reconstructing the economic and social fabric of Chicago by addressing causes, rather than the symptoms, of urban decay. These efforts deserve the attention of funding sources and a prominent place among philanthropic interests, along with the more familiar categories.

At the same time it must be recognized that such funding may involve different interests of the donors and communities. The role of foundations and corporations must be determined by respective board members. Contributions must be justified as valid uses of corporate funds to constituencies: employees, stockholders, executives, boards of directors, trustees, etc. The possibility that someone might be embarrassed need not preclude funding of legitimate efforts by community residents to change the quality of life in their neighborhood. Direct contact among donors and recipients is the best means to develop self-confidence in this process and to work out problems before and when they arise. The possible differences of interest should be only one of many considerations in a funding decision.

Corporate affairs programs of firms located outside Chicago proper have additional difficulty relating the relevance of these urban problems to their own situation. Community leaders point out the survival of the region is closely linked to the continued viability and health of its center, that the supply of services, the attractiveness of the area for its employees, etc. is due to the presence of the larger metropolitan area and its utility as an information and service center.

## Recommended Actions

### For Funding Sources

A rethinking and reordering of funding priorities is needed.

In reconsidering criteria for allocating grants, funding sources should give prominence to self-help initiatives for neighborhood development, to partnerships among the private-public-and voluntary sectors, to building the capacity of constituency-based community organizations to participate in such ventures as full partners.

Donors should focus their attention and funding on the potential impact of the organization and its programs on the neighborhood or larger community. Program proposals might be considered with regard to the following desired outcomes:

A. Promotion of individual and community self-reliance.

B. Impact on the neighborhood economy by increasing the average household income, providing employment and training programs, maintaining and improving housing stock, stimulating local business, and encouraging increased investment.

C. Strengthening the family, reduction of racial and ethnic tensions.

D. Improvement of quality of health care and educational systems.

E. Reduction of crime and initatives to increase personal safety and security.

F. Development of energy-related technology and conservation measures.

In giving a higher priority of support for projects developed by people organizing in response to their own needs, funding sources might remember that the original intention of philanthropy was to preserve community involvement and encourage innovative, even unpopular, ideas.

## F. RECOMMENDATIONS CONCERNING THE UNITED WAY

### A. To Community Organizations

As of FY '81 only four constituency-based community organizations are regular or provisional members of United Way. An additional four have applications in process.

Community organizations should apply for membership in the United Way of Chicago.

### B. To the United Way of Chicago

#### 1. General Operating Funds for Established Community Organizations

One of the basic functions of United Way is to provide consistent annual support to the organizations it funds. This function coincides with one of the basic needs of community organizations--a consistent source of support for general operating expenses.

The United Way should find ways of providing annual support for general operating expenses to more constituency-based community organizations.

a. Regular Membership

The United Way should encourage community organizations to apply for regular membership and assist them in the process.

b. Support for Community Organizations not Qualified or Wishing to Become Members

There may be a number of community organizations working effectively in their communities and deserving of support which might not presently qualify for regular membership in the United Way. Although they may wish United Way support, some of them might not want to become regular United Way members. Strong cases can be made both for and against community organizations becoming regular members of the United Way. Presently, the United Way has only limited flexibility in how it can relate to the funding needs of these types of organizations.

#### 2. Aid and Support for Smaller, Emerging Community Organizations

There are many small neighborhood groups in the early stages of development as constituency-based community organizations.

Their need is acute as is the need of the disadvantaged communities that many of them serve. Such organizations may not qualify for United Way membership; their nature and the large number of them would make it inappropriate for United Way to undertake direct support of their activities. There are, however, a number of organizations in Chicago, some of which are members of United Way, that are currently assisting such emerging community organizations.

The United Way should provide indirect support to emerging community organizations through intermediary organizations experienced in this area.

3. Attention to Neighborhood as Geography

A significant aspect of the emergence of constituency-based community organizations is a growing awareness of the neighborhood as an integral unity with a geographical base. Community organizations are turf-conscious, i.e., concerned that the neighborhood constituency should have a voice in anything that affects their territory and the people who live and work there. This attitude distinguishes them from organizations which deliver services through helping professionals to individuals living in the area, but which are not controlled by a neighborhood constituency.

The United Way has not fully taken this turf-conscious neighborhood concept into account. Its allocation system is designed to fund organizations and service categories without formal recognition of the neighborhood as a geographic entity. Community organizations which have evolved from this concept find it difficult to relate to the United Way.

The United Way should incorporate into its analysis of needs and allocations the concept of the neighborhood as an integral entity which is rooted in a geographical territory and responsive and accountable to a local constituency.

## CONCLUSION: A CITY THAT REALLY WORKS

This study has focused on the role of constituency-based community organizations as a key element in revitalizing the neighborhoods of Chicago and the need for strengthening their capacity in partnerships with the private sector and with government. Part I of the report presented the nature, structure, and functions of such community organizations. Part II recommends actions to stimulate increased funding for these organizations and their activities.

Implementation of these recommendations and the consequent increase in the flow of funds to community organizations could greatly enhance the capacity of such organizations to pursue more effectively their present activities and to move in new directions in revitalizing their neighborhoods. Increased philanthropic support would facilitate and complement the involvement of others. Private sector investment is beginning to focus on neighborhood opportunities. Government programs increasingly recognize the necessity of neighborhood level involvement. Community organizations, already straining their limited resources, face critical problems and decisions that could determine, for better or worse, the degree to which their neighborhoods and residents are able to move from dependency to self-help.

The immediate prospect of what could be accomplished in Chicago's neighborhoods by strengthening community organizations is exciting, especially when seen in the larger, long-term context. National studies that point to the advantages of 'local self-help initiatives,' and 'non-service approaches to social welfare and community development problems' have stressed the value and potential of community involvement in neighborhood level planning and decision making. There is an increasing interest in approaching the problems of urban decay and poverty through economic development, housing rehabilitation, and job creation at the neighborhood level.

Applied to Chicago, this new way of thinking could lead us into the rebuilding of a city that really does work--a place whose people believe in their city, their neighborhoods, and themselves; where more volunteer energies are channeled into programs to solve local problems; where business and retail trade flourish, providing both local jobs and services; where residents have opportunities to work and improve their own conditions, in turn improving the community; where new solutions are worked out locally; where the necessary support for family and neighborhoods are strengthened; where dependency is reduced and community self-reliance enhanced--a city where the spirit of I WILL is applied, not to enduring the present, but to building a better future.

The time is ripe. Neighborhood residents are saying, "It's good to live here and we can make it better." Their organizations are creatively approaching the unique problems and opportunities of each area. Investors and financial institutions are seeing the potential in neighborhood-level action. A new city administration is encouraging and enhancing these enterprises. The actions recommended in this report can yield significant results in Chicago's neighborhoods. They are, however, only the first step in a long process of creative thinking and cooperative action.

## APPENDIX A: STUDY COMMITTEE

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## APPENDIX B: THE STUDY PROCESS

In keeping with TRUST's nonpartisan study process, a committee was formed of 41 persons from corporations, foundations, the United Way, community organizations, city-wide civic agencies, and government. These individuals were invited for the experience and perspectives they could bring to the process. Although a wide range of points of view was represented, there was a common commitment to improve the living and working environment in Chicago.

Initial planning for the study involved the collection of bibliographical materials and conversations with interested and knowledgeable individuals. Tentative agendae and various stages of the study were reviewed by the Program Committee, Board of Directors, and Board of Trustees of TRUST, Inc.

Before the first meeting of the committee, participants were asked to submit statements of what they perceived to be the obstacles to increased funding for community organizations as seen from the points of view of community organizations and funding sources. The items resulting from this survey were then ranked in order of importance by members of the study committee. Suggestions for overcoming the obstacles were a subject of discussion in each of the sessions.

The study committee met five times from March through August 1980:

SESSION 1 PHILANTHROPY'S ROLE IN DEVELOPING WHOLE COMMUNITIES
March 28, 1980

- Remarks by Donald Haider, "The Interface of Federal, State, City, Private Resources: Projections for the 1980's and Impact on Community Development".
- Discussion of the preliminary identification of obstacles to funding community organizations.
- Report by Steven Wheatley, Donors Forum and the University of Chicago, on aggregate giving patterns and grants to neighborhood organizations in Chicago.

SESSION 2 VARIETY OF APPROACHES TO COMMUNITY DEVELOPMENT
April 18, 1980

- Panel: Leon Finney, Executive Director, The Woodlawn Organization and Jerry Altman, Urban Consultant.
- The panel presentations focused on the origin and variety of neighborhood based community organizations; the structure, style, and pattern of their activities; and problems of financing. These themes were elaborated in the general group discussion with specific examples given on how partnerships can be forged among community organizations, government, and business and the special contributions made by community organizations in such joint ventures.
- The committee continued to identify obstacles to the increased funding of community organizations and began to formulate recommendations.

SESSION 3 PARTNERSHIPS IN ACTION: CONSTRAINTS, OBSTACLES, AND IMPETUS TO FUNDING COMMUNITY ORGANIZATIONS
May 9, 1980

- Report by Ken Cmiel, Donors Forum and University of Chicago, on the 1980 survey of the organization and present and future concerns of corporate foundations and gift-giving programs.

- The discussion centered on the means to overcome obstacles with an emphasis on the funding process, the proposals of community organizations, and the priorities and procedures of funding sources.

SESSION 4 REVIEW OF PRELIMINARY DRAFT REPORT
June 6, 1980

- A preliminary draft, circulated before the session, was analyzed and criticized with suggestions for revision. Discussion focused on practical steps to implement recommendations of the report.

SESSION 5 REVIEW OF REVISED DRAFT REPORT
August 12, 1980

- The revised draft was subjected to further scrutiny. Discussion primarily concerned steps toward implementation of the recommended actions.

Beyond the formal sessions of the study committee, additional input was solicited from the larger body of neighborhood organizations and the philanthropic community. A questionnaire was sent to an extensive list of community organizations, and an open community meeting was held on April 29. A presentation before the Chicago Contributions Discussion Group on May 27 added further insights. Members of the study committee and others also contributed informally between sessions.

## APPENDIX C: LIST OF MATERIALS

The following materials were made available to members of the study committee as background for discussions. The list represents a sampling of information and points of view relevant to the issues and is not intended to be a complete bibliography on the subject.


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## APPENDIX D: DR. DONALD HAIDER'S REMARKS

At the first session of the study committee on March 28, 1980, Dr. Donald Haider of the Graduate School of Management, Northwestern University, presented these remarks.

### The Interface of Federal, State, City and Private Resources: Projections for the 1980's and Impact on Community Development.

In considering issues involved in the prospects for partnership at the neighborhood level among governments, the private sector, and philanthropic sources, it may be useful to develop a broad overview of what appears to be ahead in the 1980's. If you begin as a forthright economist, you have the luxury of being correct one-quarter of the time. However, if you mix economic and political forecasts, your prognosis may fare even worse.

This is the best of times and the worst of times to be discussing this topic. The headlines are inundated with economic adversity -- record high prime rates and mortgages, widening trade deficits, low rates of productivity, an upswing of unemployment, potential shortages of capital for investment, and the beginning of negative earnings reports of major corporations. All this adds up to a recession whose magnitude and duration are anyone's guess. The underlying rate of inflation is expected to run at the 9-10% level for the near future and gains in real income are not likely to experience much growth over the short term. The President and Congress are struggling with an exercise to balance the FY '81 Budget, although a deep recession could drive budget imbalance as high as $50 to $70 billion.

Thus, it is not a propitious time to discuss increased corporate giving, expanded philanthropy, or how to increase government funding at the neighborhood level. Retrenchment and austerity are the prevailing trends of the time. On the other hand, it may be a good time to examine relationships and past ways of conducting public and private giving to see how these entities may best respond to current and future challenges. Indeed, there is no better time to think and act anew than when faced by uncertainty and perhaps great adversity.

Let me turn to the public sector first, an area I know best, to take a broad sweep at what has changed and will likely continue to change from the 1960's into the 1980's. Admittedly, such an overview may be simplistic. It also may sharpen our focus. The 1960's changed this country, especially the relation of government to all facets of the public and private sectors. The Great Society era reflected a period of extraordinary government intervention into the economy aimed at extending political power to the disenfranchised, redistributing the benefits of economic growth from the "haves" to the "have-nots", and utilizing public, private, and not-for-profit institutions to carry out national policy. The 1960's ended with great promise, much hope, and dashed expectations -- riots, Vietnam, voter backlash, and upsurge of inflation.

In contrast, the 1970's ushered in a whole new agenda in addition to civil rights and the cities of the 1960's: environment, quality of life, women's rights, consumerism, energy, neighborhoodism, corporate governance, and others. It also introduced an era of greater awareness of limits -- foreign policy, social welfare, individual rights, natural resources, and government itself. Public and private agendas clashed as did Republican and Democratic Party philosophies. The Great Society confronted the Republican New Federalism whose domestic thrust consisted of decentralizing programs, devolving power and authority over federal programs to local officials at the

expense of Washington bureaucrats and their congressional overseers, and reducing the scope of government. Interestingly enough, the greatest rate of increase in domestic expenditures occurred under a Republican, not a Democratic Administration. That is to say, the G.O.P.'s efforts to redirect the Great Society programs and to make their own distinctive imprint on them proved costly. Programs tended to be heaped on programs; new delivery systems built on old; and problems seemed to outpace solutions.

The Carter Administration inherited the contradictions of the prior era. The agendas of the 1960's and 1970's and a federal system with funding, administration, and control moving upward and downward simultaneously. It also came into power in the wake of the nation's worst post-war recession in which inflation and unemployment, against prevailing economic wisdom, also had occurred simultaneously. The President had promised to get the economy moving and with a temporary pause in inflation embarked on a sweeping stimulus package and new or expanded anti-recession programs. Unemployment dropped from 9% to 6% due largely to other factors and inflation soared from 6% to 13% in 1979. Also during the late 1970's the public mood shifted gradually toward a conservative stance, accompanied by a drive for expenditure control at the local, state, and national levels.

As we enter the 1980's, several trends are currently impacting the public sector. Their scope and durability remain to be seen:

* Slower growth rates of federal grants to state and local governments

  Federal grants to states and localities grew at an average of 14.6% from 1958-1978, then slowed to 7% annually since, a trend likely to continue in the 1980's.

* Stabilization of the federal fiscal system

  In contrast to the 1960's, when states had the problems and the federal government had the tax revenues, the reverse has occurred. Some 42 states have a combination of sales and income taxes compared to 12 states in 1960. Increased expenditure pressures, especially national defense and income security, exist at the national level rather than at the state level where educational expenditures have levelled off. Consequently, from a public finance perspective, states will play an increasingly important role for cities, perhaps much more than the federal government.

* Overload of the intergovernmental system

  Flexibility and workability of the federal system seem threatened by an overload of programs, mandates, requirements. and conflicting reponsibilities.

* Demographics/Reapportionment

  Older, larger cities are likely to operate under many of the same trends and pressures that persisted in the 1970's: snowbelt to sunbelt in regional movements, metropolitan area decline, wider population dispersion, and continued income disparities between city and suburbs. Reapportionment will accompany this population shift, providing the cities with less of a voice at state and national levels.

* Resource Constraints

  Capital needs both in the private and public sector continue to grow, set against high inflation, outflow of capital due to energy dependency, and probable increased constraints upon growth of credit and monetary policy.

* Expenditure Control

The constitutional drive for a balanced budget at the national level has its origin in comparable efforts at the state-local government level, highlighted by California's Proposition #13 limitation on property taxes, and reflected in dozens of states where taxes have been reduced and expenditure controls imposed. This trend under inflationary conditions will likely prove to be durable as the public mood has become more conservative.

* Double Digit Inflation

Local expenditures proved much more responsive to inflation than local revenues, especially from the property tax. Given an estimated underlying inflation rate of 9 to 10%, a base from which the next round of inflation may begin, the state-local sector will be adversely impacted, especially with a slow down in federal funding and particularly for those five to six states which experience both high welfare expenditures and low per capita income growth rates. Some governments will experience acute fiscal stress, others will find access to credit markets restricted. In short, more difficult times are ahead.

For public and private entities alike, a recession means austerity, expenditure control, reduced capital expenditures and a time to regroup and rethink strategies for a more favorable economic climate. Local governments look to the states for immediate assistance as they confront a shortfall in revenues and increased demand for services, and states look to the federal government for anti-recession aid. Companies seek to increase liquidity, cut unprofitable ventures and look to Washington for tax cuts to increase consumer spending. Consumers have their own agenda for growth in real income, job security, greater availability of credit, and some indication of whether government is serious about a longer term anti-inflation policy.

Hence, the 1980's is likely to be quite different than the 1960's or 1970's. Inflation has racked the economy and people's expectations, oil import costs have made the nation more dependent on the world economy, and the population continues to grow older in relative and absolute terms. The 1980's will be a period of even greater uncertainty -- economically, politically, intentionally. Politicians are prone to think in terms of short cycles, two to four years, but this affliction has spread to the private sector as well. The nation seems to be beset by an increased number of crises. The interval between them is shortening, and the solutions require longer time horizons. This is certainly the case in energy, inflation, productivity, and capital investment. It is also the case in human development, in thinking about ways to rebuild neighborhoods.

This prognosis is not cheerful, and surely difficult for neighborhood or community organizations to internalize. After all, many of the major criticisms of such organizations are that they lack clear objectives, experience high personnel turnover, and fail to develop long range plans. Admittedly, much of this may be true, but the environment in which they exist and derive their funding exacerbates these problems. In light of this turbulent environment and scarcer dollars (especially in constant dollar terms), it is highly appropriate to take a hard look at how private sector giving may change, not simply in aggregate amounts, but also in terms of objectives. Assuming private corporation giving has some relation to objectives beyond the immediate interests of the corporation, we should ask to what extent this giving reflects new conditions and problems of the 1980's rather than a legacy of the 1960's and 1970's.

Presumably, a reduced rate of public sector funding will increase pressure on private corporate giving, simply to fill the shortfall as opposed to expanded funding.

Will larger donors succumb to such pressures, continue much as they are, or seek to strike out into new areas? One of the key issues raised by this series of meetings will be simply, to what extent do corporate givers apply to philanthropic decisions the criteria or standards employed in basic investment decisions within the firm?

Specifically, how might corporate givers and community recipients, benefactors and beneficiaries alike, think in a market sense of measurable rates of return from private sector investment? Obviously, social science research tools and measurement abilities may be deficient in dealing with human resource development, community development, and even neighborhood economic development. It is also the case that many of the objectives of community organizations only indirectly relate to development: namely, skill acquisition that may lead to productive employment, increased income, more suitable, safe, or sanitary living environment, improved services, greater self-esteem, or other intangibles. Understandably, there are communication gaps between how community organizations view themselves and how they are perceived by funding agents. This apparent gap, however, may be increasing.

These are not easy questions. One purpose of these sessions is to develop a dialogue on how philanthropic organizations view recipients and vice versa. Another is to build on these perceptions to ask how expections might be made more congruent to one another. And, finally, the agenda calls for a probing analysis of how corporate giving may contribute to community or neighborhood based economic development. This latter issue, as I have attempted to suggest in the context of the 1980's, is not simply a narrow isolated objective of sub-city economies, but also a national one which has sweeping implications for quality of life and standard of living in this country as a whole.

Where cities go will be critically important to where the country goes. Where neighborhoods go will largely determine where cities go. And where discussions and actions go among funding sources and recipients will largely shape the prospects for neighborhoods.

## APPENDIX E: RELEVANT RECOMMENDATIONS FROM TRUST, INC. REPORT: DEVELOPING JOBS AND NEIGHBORHOODS THROUGH SMALL BUSINESS GROWTH: RECOMMENDATIONS FOR ACTION

In January 1979, TRUST, Inc. formed a study committee to investigate ways of creating neighborhood employment through the expansion of local business. Chaired by Herbert Neil, Vice President, Harris Bank, and James Pitts, Research Director of the Center for Neighborhood Technology, the committee was composed of 30 volunteer professionals from public, private, and community sectors. After reviewing the testimony of more than 50 local and national experts in the area of economic and community development, the committee published its report, Developing Jobs and Neighborhoods Through Small Business Growth: Recommendations for Action (August 1980).

Several recommendations under the heading "Improving Chicago's Neighborhood Economic Development Program" corroborate the main thrust of this report by urging increased funding and technical assistance for neighborhood based community organizations.

1. The new City (Economic Development) Unit should increase its selective funding of staff and operating costs of local organizations involved in commercial revitalization (p. 14)

   The city should provide 2 to 1 city/private matching grants up to $25,000 to cover local organization costs. (p. 14)

2. The new City unit should provide matching funds to neighborhood economic development groups to enable them to develop a local planning capacity. (p. 15)

3. The new Economic Development Unit should create a Technical Assistance Resource Bank to provide local economic organizations with the specialized resources required to revitalize business/industrial districts. (p. 15)

Copies of this report are available from TRUST, Inc.